

Manager's Commentary

Amar Pandya

The Pender Alternative Special Situations Fund returned 9.2%¹ in April, compared to the S&P/TSX Composite, which returned 3.8% during the month.

Markets remained highly volatile in April as investors continued to navigate the aftereffects of the sharp geopolitical and macroeconomic repricing that defined the first quarter. While energy markets partially stabilized following the fragile ceasefire announced earlier in April, uncertainty surrounding global trade routes, defense spending, inflation expectations, and AI-driven disruption continued to drive elevated dispersion across sectors and individual securities.

We continue to believe this type of environment is highly constructive for special situations investing. Volatility is creating meaningful valuation dislocations across several industries, particularly within small- and mid-cap equities where liquidity constraints and risk aversion have resulted in what we view as increasingly inefficient pricing. The Fund remained active during the month, selectively adding to positions where we believe near-term catalysts, strategic value, or structural tailwinds are not adequately reflected in current valuations.

Defense and sovereignty-related investments remained an important contributor during the month. Global defense spending momentum continued to accelerate as governments increasingly prioritize domestic manufacturing capacity, energy security, satellite infrastructure, and supply chain resiliency. We continue to believe the market may underestimate both the duration and scale of the current defense investment cycle, particularly across companies exposed to aerospace, advanced materials, space infrastructure, and strategic industrial production.

Within technology, volatility across software and AI-related equities persisted as investors continued reassessing long-duration growth assets amid rapid changes in the competitive landscape. In our view, portions of the market continue to price software businesses as though AI disruption will permanently impair large segments of the sector. While AI will undoubtedly create both winners and losers, we believe the current environment is also creating compelling opportunities among durable software franchises, consolidators, and select infrastructure-oriented technology businesses.

Fund Specific Updates

Digital infrastructure and data centre related holdings were among the strongest contributors during the month. Carrier Connect Data Solutions Inc. (TSXV: CCDS) was a top contributor following the announcement of another acquisition as the company continues to execute on its strategy of consolidating Tier II and Tier III data center assets across North America. We believe Carrier Connect is differentiated by its focus on smaller, underutilized facilities operating within a highly fragmented market where assets can often be acquired at attractive valuations and improved through scale, utilization optimization, and customer density growth.

Space and satellite infrastructure also remained a key area of strength within the Fund. Telesat Corporation (TSX: TSAT) was the Fund's second-largest contributor during the month. The company continues to benefit from growing investor appreciation of the strategic value of its Low Earth Orbit ("LEO") satellite assets and spectrum portfolio. During the month, Telesat announced a contract with the Canadian Armed Forces related to Ka-band spectrum capacity, further

¹ All Pender performance data points are for Class F of the Fund. Other classes are available. Fees and performance may differ in those other classes. Standard performance information for the Fund can be found here: penderfund.com/fund/pender-alternative-special-situations-fund/

reinforcing the increasingly strategic importance of sovereign communications infrastructure amid rising geopolitical tensions and rising defense spending.

We also believe the anticipated SpaceX IPO represents a potentially important catalyst for the broader space sector. The IPO is expected to increase investor focus on the scarcity value of publicly traded space infrastructure companies and may lead to a reassessment of valuations across the sector. In our view, Telesat's Lightspeed constellation remains one of the few scaled and credible competitors to SpaceX's Starlink platform, particularly in enterprise, aviation, maritime, government, and sovereign communications markets.

MDA Space Ltd. (TSX: MDA) was another strong contributor during the month as momentum across the space sector continued to build. Despite the company's strong share price performance over recent years, we continue to view the valuation as reasonable relative to the company's growth profile, backlog visibility, and strategic positioning. MDA remains one of the few profitable pure-play space companies globally and continues to trade at a discount to many aerospace, defense, and space-sector peers despite what we believe are attractive growth prospects.

Another important event-driven catalyst materialized during the month with President Trump signing an executive order reclassifying medical cannabis from a Schedule I to a Schedule III drug under the Controlled Substances Act. We believe this represents one of the most significant federal policy shifts for the US cannabis industry in decades, with the removal of Section 280E tax restrictions which could improve free cash flow generation, profitability, and balance sheet strength across the sector. The Fund held roughly 9% exposure to US cannabis-related companies ahead of the announcement based on our expectation that this catalyst would materialize. Following the sharp rally in cannabis equities post-announcement, we opportunistically realized gains on a significant portion of the position and will continue to tactically manage exposure ahead of scheduled hearings this summer regarding the potential rescheduling of recreational cannabis in the US.

Critical minerals and strategic resource companies were also meaningful contributors during the month as markets increasingly focused on the intersection of geopolitics, national security, supply chain resilience, and AI infrastructure demand. Holdings including Blue Moon Metals Inc. (TSXV: MOON), Neo Performance Materials Inc. (TSX: NEO), Fox Tungsten Ltd., Faraday Copper Corp. (TSX: FDY), and Fireweed Metals Corp. (TSXV: FWZ) performed well during the period.

We continue to believe the world remains significantly underinvested in many critical mineral supply chains despite rapidly accelerating demand trends. Electrification, defense spending, AI infrastructure deployment, semiconductors, satellite systems, and energy transition initiatives are all increasing demand for strategically important materials including copper, tungsten, rare earths, and other specialty metals. In our view, companies with high-quality assets located within stable jurisdictions remain particularly well positioned as governments and corporations increasingly prioritize secure and localized supply chains.

Outlook

We believe the current environment remains highly supportive for event-driven and special situations investing. Elevated volatility, geopolitical uncertainty, tariff-related disruptions, and widening valuation dispersion continue to create an expanding pipeline of catalyst-driven opportunities across markets.

At the same time, we are increasingly mindful of broader macro and market structure risks. Equity market concentration remains historically elevated, particularly across AI-related industries and mega-cap technology companies that continue to drive a disproportionate share of index performance. We also believe recent geopolitical developments may have created more durable structural impacts across global energy supply chains than markets currently discount, potentially contributing to a higher-for-longer inflationary environment.

Against this backdrop, we have been selectively increasing the Fund's portfolio hedges while actively repositioning capital toward asymmetric, catalyst-driven opportunities. We are increasingly focused on hard catalyst events and expanding exposure to market-neutral and relative value pair trades where we see opportunities to capitalize on attractive valuation dislocations while reducing overall market exposure. Supported by the Fund's flexible liquid alternative mandate, we believe we remain well positioned to navigate volatility and capitalize on an increasingly attractive opportunity set.

Amar Pandya, CFA

May 25, 2026